

**SCOTTSDALE AIRPORT ADVISORY COMMISSION
15000 N. AIRPORT DRIVE, SCOTTSDALE, AZ 85260**

**APRIL 22, 2003
SPECIAL MEETING**

MINUTES

PRESENT: Donald Maxwell, Chairman Leonard Tinnan, Vice Chairman
Bill Mack Mike Osborne
Philip Vickers Fred Madanick
Tom Guilfooy

STAFF: Scott Gray, Aviation Director Gary Mascaro, Assistant Aviation Director

OTHER(S): Brian Ready, Giant Industries; Tod Dickey, Verco Manufacturing; Bob Mead, Meade Engineering; Tommy Walker, Scottsdale Air Center; Scott Gibney, Southwest Jet; Lou Jekel, Verco Manufacturing

CALL TO ORDER

Chairman Maxwell called the meeting to order at 6:00 p.m.

ROLL CALL

A formal roll call confirmed members present as stated above.

PUBLIC COMMENT

Chairman Maxwell inquired if anyone wished to make a public comment. He added there is only one item on the agenda.

OLD BUSINESS

A. Item 1 - Action

Recommend Resolution No. 6283 approving the proposed change to the Airport/Airpark Rates and Fees Schedule.

Mr. Scott Gray thanked the Commission for taking the time to attend the Special meeting. He added at the last meeting they discussed a couple of proposed fee increases; the transient landing fee, as well as the airport hourly rate. Mr. Gray stated at the last meeting several members of the audience suggested that they meet with them and discuss some possible options. Mr. Gray advised the Commission that he and Mr. Mascaro met with three individuals that the Commission saw at last month's meeting and they generated a proposal of which there was a letter included in the Commission package, and synopsized what their proposal was and sent it out to all of the fuel farm operators and all the aircraft owners that receive fuel from those fuel pits. Mr. Gray added they sent out the packet with a couple of additional alternatives for the Commission to consider and what he'd like to do is deviate from what was included in the packet because they just got their third quarter numbers in and they made a couple of modifications to the spreadsheets and they are included in the packet.

Mr. Gray said there were also letters received from various operators and were faxed to the Commission and one which was dropped off this evening is provided at this meeting. He added there are copies available for citizens if they wish to have them.

Mr. Gray advised the Commission he would provide detail on each of the concepts, what the scenario is for each one of them, and how they broke down their revenue numbers to ensure they weren't missing anything. He added they are relatively the same as what was provided previously. However, the main item is the increase in transient landing fee.

Mr. Gray went through each page of Aviation Fund Five Year Financial Forecast attachments provided in the Commission packet, and explained in detail the Capital Improvement Projects, associated cash flow, and assurance of federal and state funding of their proposed projects. Mr. Gray made special note of the Airport Terminal Renovation project stating it was broken out into three phases, one being the circulation and parking project which is FAA fundable which they want to address as quickly as possible, and the others being signage and office expansion. Mr. Gray noted they would probably have sufficient funds to do the Airport Security Fencing project. He added the last item, which doesn't affect cash flow, is the Differential GPS system that the City does not want to be liable for. However, Mr. Gray stated the FAA is looking to improvements in navigational aids and they will work with them to move forward on that project.

Mr. Gray then explained three scenarios. The first one with doing just those CIP changes, no fee increase, a negative reserve results for 2004/2005, but they do meet the operating income and loss. The second scenario, a fifty-cent landing fee with those changes, they fall short on the reserve for 2004/2005 and there may be the possibility that some of their projects don't get funded that year. The next one, which was one proposed by the group were the CIP changes with the penny and penny scenario, and basically they meet less of the reserve, about \$83,000 in the second year so that may be more difficult to overcome if fuel flowage were an issue. Mr. Gray added the FBO's had mentioned fuel flowage increases so he put one together where they just increased the FBO's just as another possibility, but that also falls short in the reserve.

Mr. Gray offered to respond to questions from the Commission or to hear some public testimony.

Vice Chairman Tinnan stated their first requirement should be to approve the revised CIP plan. Mr. Gray responded that is an option.

Vice Chairman Tinnan made a motion to approve the revised CIP plan. Commissioner Mack seconded the motion.

Commissioner Guilfoxy stated they are just diving in and creating a vote, rather than analyzing the real picture for an extended period of time. Commissioner Mack said they don't have the power of the City Manager or Budget people if they want to change it and that they are just looking at it and sending it down to them.

Chairman Maxwell inquired if the CIP was in their provenance. Mr. Gray responded yes. That is was the discretion of the Commission to make recommendations.

Commissioner Guilfoxy said the whole CIP plan changes by the funding or lack of funding, and a lot of the items are federal grant dependent anyway so to change it at this early stage to create cash flow savings that may or may not eventuate is a concern.

Commissioner Vickers addressed a question to Mr. Gray that in his April 15th letter regarding fuel flowage considerations it indicated they could anticipate in the future or they had knowledge of the FAA reducing grants funds in the future for CIP projects and it appears he had some knowledge that others don't have as to what level they are going to reduce grants and that most of the grants would only be toward security. Commissioner Vickers indicated before he votes to modify the CIP, he'd like to know what Mr. Gray knows about future FAA grants and where he gets his information from.

Mr. Gray responded that the grant funding process is done by FAA and ADOT. He said the state has already cut back funding and the fencing project that was moved was one that was supposed to be funded this year and was moved to the following year, as they have cash flow problems also and 50

percent of the aviation trust fund was moved to their general fund every year, and that will continue for at least another year, maybe two.

Mr. Gray added there was also a \$4.5 million sweep of the cash that was in the program, which affected programs throughout the Arizona system.

Mr. Gray stated the federal process typically gets a budget approved in October, their fiscal year, and we still have no program to-date, however, it finally got through Congress and the money was distributed to the FAA, then the FAA has to break it down and distribute it to the regions. Mr. Gray stated due to the amount of funding going to the security programs at commercial service facilities, there is less money available for reliever airports, such as ours.

Mr. Gray asked if anyone wanted to comment. There were no comments.

Chairman Maxwell called for the question and it passed by a vote of 7-0.

Mr. Gray stated with that in hand, they could skip the first two pages and just move to the ones that indicate the CIP changes.

Mr. Gray added that staff was not supportive of fuel flowage fee increase and there may have been some confusion on that based on the letters they received. Mr. Gray said in the 800 plus letters they sent out earlier regarding transient landing fee increases, they only received about three responses; two did not care, and one indicated they might choose to go to Sky Harbor.

Chairman Maxwell called for public testimony at this time.

Mr. John Frevola, Corporate Jets, Inc., stated if he had a choice, he would like no increases, either in fuel flowage or landing fees. He added the last time there was an increase, there was a committee of FBO's and Airport and Airpark people and everybody had their input as to what the increase would be and how to make it fair. He added this one was on a very short fuse, and no one a chance to comment on it. It came before the Commission last meeting and no one in the Airpark knew about it. Mr. Frevola stated he noted it, however, and came to speak because the fee proposed affected his business and the people who come here. He added although he would like no increases, if they have to have one, he thinks it should be fair. Mr. Frevola stated the increase is supposed to pay for Airport improvements that everybody is going to use and the people who are based here and take off and land here everyday are going to benefit the most. He added the only mechanism they have that would be fair to raise additional money would be the flowage fee because that is paid by the transients and the based aircraft. Mr. Frevola stated the landing fee in place is for transients above 12,500 lbs and if they are going to extend the landing fee, they might want to include all transients – charge everybody that lands here. Mr. Frevola added that Scottsdale Airport is the only airport in the Valley that has a landing fee and it could be counter productive if they double the landing fees and transients go to other airports, they would be shooting themselves in the foot. Mr. Frevola said they should study it further and get a committee of Airport and Airpark people to make some recommendations. However, if they have to do it now, they should consider a flowage fee, as that is the only way to distribute the taxes fairly among all the users.

Mr. Brian Ready, Chief Pilot, Giant Industries, stated he was asked by staff to come with some recommendations. He said he's heard from some tenants that were concerned about the short timeline and the lack of notice. He added they've had a lot of issues that have come up locally that they needed backing from their operators and tenants and the Airpark and the only time he's seen this many people is when you charge them a penny a gallon. Mr. Ready said he needs their help at City Council, they've got issues there and he thanked them for being here tonight, but added most of the time they are not.

Mr. Ready gave a breakdown of his company's fuel usage and how much it would cost them per month in additional fees if the fuel flowage were increased by one cent. He said he does not see a problem with the additional fee since they use the City facility. Mr. Ready stated from a transient standpoint, to go below 12,500 lbs he does not think it would be worth it and they would only irritate the users. He said if he

were to vote, he would vote for a fifty-cent landing fee increase, and that it is not unreasonable as opposed to a 100 percent increase, which he felt would be too big a jump. Mr. Ready added there was not enough time to get another committee together for further discussion before the item has to go to the City Council.

Mr. Tim Carpay, Gemini Air Group, provided some information regarding how much they spent the past year between landings and fuel fees and it worked out per landing. He said he personally believes that as an Airpark tenant they should be responsible for their share of what is used, and transient should be responsible for their share of what they use. Mr. Carpay said his recommendation is they don't increase the flowage fee. He surveyed about ten different airports that he uses and pays landing fees to, and on an average they pay \$2.80 per 1,000 lbs. He added before the Council decides what they want to do, they have to look at what is fair for the local residents, as well as transient.

Mr. Frevola interjected by stating the transients are paying a landing fee now, plus the flowage fee, so when you take what transients are paying they are now paying more than 70 percent of the cost overall. The argument that the based operators are paying a landing fee by equating their flowage fee to a landing fee just does not wash, and it is not a fair way of dividing it up.

Mr. Tod Dickey, Vice President, Verco Manufacturing, stated they have a small jet in the Airpark and have operated there for 15 years and have been property owners for 17 years. Mr. Dickey stated that in the Five-Year Plan an operating expense increase of about eight percent a year. He added according to the footnotes in the financials, there is an expected revenue increase of two percent per year and he questions that they are projecting two percent revenue increase, but eight percent operating increases. Mr. Dickey stated he is here is basically the lack of notice in the proceedings. He added he was part of the original group of operators that met with airport staff and Commission to construct a 12-point matrix for equitable fees in the Airpark. He added there was a mechanism for future inquiries, which entailed public notice. Mr. Dickey stated the last two increases have not had public notice. They were not notified. He stated this is the third backfill increase they are receiving, it's not the penny a gallon, it's the fact that it seems to be the easiest way to increase revenues as opposed to the process that was originally agreed upon. Mr. Dickey said the immediate problem he sees and what they did not agree on five years ago, and do not agree upon now, is that if 60 percent of the transient aircraft are using this Airport, they ought to be picking up 60 percent of the bill.

Mr. Dickey added in surveying other Airports, Monterey was one of the airports the Commission looked at several years ago as a model example – they have a landing fee, they are totally self-sufficient, they have no accounting problems, they receive federal funds, but no county or city funds. He added when they go into Monterey they pay a landing fee of about \$15.00. Mr. Dickey stated in looking at the landing fees charged throughout the Valley, there is a low of six cents a gallon at Glendale, a high average of ten cents at Chandler, but they are not nearly as high as they are in Scottsdale. Mr. Dickey added in looking at landing fees, they ranged from a low of zero, to a high of \$150 at San Diego. Mr. Dickey stated why he can see, using Monterey as an example, to almost double their revenues and that is when the group decided on a limit of 12,500 they were targeting the large airplanes. They were trying to pacify the AOPA representative that was here because they don't want to tax the small planes. Mr. Dickey said Monterey charges a landing fee of \$1.00 per 1,000 lbs on everything over 8,000 lbs and that encompasses the turboprop fleet. He added one option would be to increase the landing fee, along with decreasing the weight limit to 8,000 lbs. Mr. Dickey noted another revenue producing item might be the Gulfstream V that takes up six or eight parking spaces and would only pay \$15.00 per night and what he has seen at other airports is that a \$25 or \$50 overnight fee is not objectionable and it would significantly increase their revenues and should be considered.

Mr. Tommy Walker, General Manager, Scottsdale Air Center stated his scenario is that the one cent, in the long run, may be better than the 50 cent in the shortfall as far as 83 versus 43 in the shortfall. He would like to ask Mr. Gray what he thinks about the shortfall in 2004/2005 of 83 versus 43 versus 105 and he thinks that is an issue.

Mr. Lou Jekel, representing Mr. Dickey and Verco, stated for the record they feel the notice in this matter was totally deficient and they would like to have the chance to sit at the table with everybody and work out what is fair. He added obviously what is fair is in the eye of the beholder, but certainly there are enough ideas in the room to warrant sitting down and talking about it. Mr. Jekel added his belief is the people who are here everyday, like Verco, Giant, and everybody else who stays here and pay an enormous amount in day-to-day, month-to-month, year-to-year fees and costs. Mr. Jekel stated between sales taxes, property taxes, privilege taxes and when a corporate airplane, which is already well-budgeted device, comes in from El Paso or wherever and are here one time, they get the benefit of one of the best municipal airport's in the country which is due to all the people who have been here forever making it great. So when they come in they should pay for that privilege. Mr. Jekel stated as to what is the fair landing fee; he does not want to debate tonight. He thinks it is important that those also getting the benefit are paying their fair share.

Mr. Jekel stated he wanted it put on the record that they need more notice so they can sit down and have good constructive meetings about this. He added he thinks the ideas of new revenues, lowering the landing weight, increasing the parking fees all should go in the mix.

Commissioner Vickers said it appears the entire rate increase is being considered as a result of Financial Services wanting to increase an operating reserve. He added if they didn't have an operating reserve, which is about \$300,000 or 25 percent of the operating expense, then they wouldn't have to have an increase. Commissioner Vickers stated the Commission could also very well be faced with a very large increase in fire protection services as a result of the Rural Metro vote, which would deprive the Airport of adequate operation of ready money to pay that increase assessment, which we don't know yet. Commissioner Vickers stated what bothers him the most about Financial Services proposal and the proposal fostered by the committee of people who were here last week, is he does not think it represents an equitable assessment against all users. He added every aircraft that uses this Airport should pay their fair share. He said they aren't considering aircraft tiedown rates, or private hangar offices, parking fees, charter brokerage fees, private hangar/shade rentals, rental car concessions and there are a number of others that could be assessed. Commissioner Vickers stated he agreed with Mr. Jekel's statement that there should be proper notice and he doesn't care what procedure you do, but when you raise or increase fees it's a form of taxation and people should have fair notice and it's Financial Services in their wanting an operating reserve that has brought this to a head. Therefore, he is going to vote no on this issue because he does not think it is equitable to all the parties.

Vice Chairman Tinnan said they are at the special meeting because staff is facing a deadline for submittal of its plan for the coming fiscal year and we don't have any time beyond this meeting to study and to meet again before that submittal. It is just not physically possible. He added if we stay with existing fees and no changes, it will violate the sense of running this business properly and a businessman does not budget for a year-end loss and a businessman does not plan to run a business with no reserve, and he does not lay that on the backs of the Financial Services people. He added they have to make the Airport self-sufficient and not rely on funds from the City's General Fund so the people at large cannot say they are using their money to run the Airport. What we want to say is we use money from the people who use the Airport to run the Airport.

Vice Chairman Tinnan stated it is also important that they point out that only Financial plan that the total operating plan and transfers out will go down in 2003 or 2004 from the current year and they will go down in 2004/2005 from 2003/2004.

Vice Chairman Tinnan said that at the last regular meeting they had asked staff to meet with, perhaps mistakenly, a committee of FBO representatives, with one of the expressed purposes of coming back to the Commission with a statement based upon some data analysis that there would be a loss of transient business by raising the landing fee. He has not seen that, they did not get that information back from the committee that met with staff, alternatively they brought back only the suggestion by the committee that fuel flowage fee increases be made. Vice Chairman Tinnan stated he wasn't present at the time, a letter was sent by acting director on February 24, 2000 was presently it does seem to me that we are somewhat bound by the terms and conditions stated in that letter that fuel flowage fee increases would

not be made or changed without due process that is specified in that letter. He stated we would violate that process if they change the fuel flowage fee. Vice Chairman Tinnan stated that to meet their deadline to the City the fuel flowage fee issue must be off the table.

Vice Chairman Tinnan stated he believes their only alternatives are a landing fee, whether it is \$1.00, 50 cents, 25 cents, or lowering the landing fee limits which Mr. Jekel has submitted and he thinks is an excellent idea, or increasing fees for overnight parking. Vice Chairman Tinnan stated it would be his recommendation based on the information that Mr. Gray and staff submitted that we move toward a smaller landing fee than was last proposed – 50 cents looks like a more reasonable number – and when time permits...then asks question if staff had figures if they raise parking fees what revenue would be generated... Mr. Gray responded they currently collect about \$70,000 in overnight parking fees. He added they talked about that with the FBO group and they weren't opposed to that but there is a big if. One issue is the transient overnight parking fees only apply to the FBO's on this side of the field because the City owns the apron area; the new FBO built it so they don't have to charge the fee. Therefore, if there is a 50-50 split in traffic they get no net gain.

Vice Chairman Tinnan asked if they lower the landing weight to 8,000 lbs as has been suggested, do they have a guess as to how much additional revenue that might generate. Mr. Gray stated they do not have any information on that but they do have a tracking system now and they could guess between 8,000 and 12,500 lbs the ones primarily would be the Pilatus and King Air. He added that he heard there might be in the \$100,000 range, and he thought that might have been a little high. Mr. Gray said he does not see anything wrong in lowering the landing weight and there is a revenue source there that is not being tapped.

Vice Chairman Tinnan moved that the fee adjustment they make this year to meet the Financial Plan included in the revised CIP be an increase of 50 cents per 1,000 lbs, and \$1.00-\$1.50 per 1,000 with the understanding that perhaps that could be adjusted at a later date when we know what revenue might come by lowering the weight to 8,000 lbs.

Commissioner Vickers asked if they have to as a Commission enact specifically tonight what exactly this revenue is supposed to come from. He thought the question is what is the fairest, most appropriate way to come up with it. His question is could they just not act on an aggregate fee increase to be determined by specific line item at a future date so they would have adequate time to study the issue.

Chairman Maxwell thought they could not do that and that they have to approve a fee schedule.

Mr. Gray said the fee increases do have to be specific and they do have to be identified on the fee schedule because that is what the City Council adopts with the resolution.

Mr. Gray stated he talked with a number of people on the phone today and they actually pull together some form of group of maybe 10-15 people in August of this year, get started early, and talk about a number of things in between now and August and we'll be able to gather some of the data maybe relative to the 8,000 and 12,500 issue and it would give us that next year to maybe identify some other fee increases that may be acceptable to everybody and by that time we will have our federal CIP program ready from the FAA and the state will have finished their legislative session and we will see if that will have any movement with the state program. He added they do have some years of flexibility when it comes to the reserve.

Mr. Gray added the City Council subcommittee asked them to put an RFP on the street to research the cost of a flight tracking system with a noise monitoring system. Estimates were around \$300,000 which will come out of the \$290,000 sitting there and basically put them in a zero figure for 2004/2005 and probably a negative figure for 2003/2004. Mr. Gray stated if they were directed by City Council to buy the system with aviation funds, we would have to forego some other projects to make up the difference. Mr. Gray stated the RFP will probably be ready to go next week and once the responses come back the item will be brought back to this Commission, to that subcommittee, and ultimately to the City Council.

Chairman Maxwell stated he agrees with Vice Chairman Tinnan that the fuel flowage increase is not a part as it wasn't really noticed appropriately and our agreement was that we give them prior notice and the only item noticed referred to the transient landing fee.

Mr. Gray asked that Vice Chairman modify his motion to include the Airport hourly rate change from \$38.29 to 42.27 per hour.

Commissioner Guilfooy inquired what was the cost of collecting the landing fee. Mr. Gray responded the numbers they heard were somewhere around \$30.00 a piece. However, he's not sure if that's the case. Staff here does all the work and we forward a spreadsheet to Financial Services. Mr. Mascaro said to do our bills we get charged, above and beyond our indirect costs, an additional \$5600 a year, and whatever our staff time is.

Commissioner Madanic stated he agrees with Mr. Jekel's letter that they should lower the landing weight and also charge more for overnight parking. Commissioner Madanic noted that one FBO has to charge overnight parking fees and the other doesn't so there is a problem.

Chairman Maxwell inquired if staff could bring this back as an informational item at the next meeting and then have an action on it regarding the parking and landing weight.

Mr. Gray responded the entire packet to the Council has to be prepared and submitted to them next week so any changes, other than what they do tonight, will not make it to the budget process unless they are brought up on the floor.

Mr. Gray stated his recommendation is between now and August staff will collect as much data as they can on the 8,000-12,500 issue and then commence with a committee to look at the transient parking.

Commissioner Guilfooy inquired what the impact on Airport Operations would be if they do nothing. Mr. Gray responded they have a \$1.5 million pavement preservation project coming in the next year, and if they do not increase fees, and they do not get federal funds to do the project, the City would have to pay for it from the Aviation Enterprise Fund. Since they cannot pick up a \$1.5 million tab, they would have to phase the project over several years. Mr. Gray added that they cannot be reimbursed by federal funds, once a project has already been paid for.

Commissioner Vickers stated they have the ability as a Commission to go to City Council anytime they want and ask them to change the rates. If they find they are short on money for any particular item, it doesn't have to happen on July 1. He added if they can justify a need, City Council will act responsibly and make an amendment to the rate. Commissioner Vickers stated he cannot understand why they cannot increase all the fees proportionately as they vary to the total revenue today, as that is the most equitable way to do it. Increase all the fees as they currently exist today to generate the revenue that Financial Services says is necessary. He would make a motion to increase all the fees on the schedule proportionately as they bear to the current revenue.

Commissioner Guilfooy inquired as an enterprise zone what is the Airport's ability to bond. Mr. Gray responded that bonding is typically done by Financial Services. This Airport has never done any projects via a bond specifically. There is one project now being done by bond, but that has to do with Thunderbird/Redfield Road and they tapped in to do 73rd Street realignment as part of that project. However that may be an option in the future, especially if they become financially self-sufficient.

Commissioner Guilfooy stated the gist of his trouble with this is he thinks they should be self-sufficient and they should look at all revenue strains and whatever they have jurisdiction over in this division. To pick one thing right now, without still having a forecast of operations or landings, take-offs, fuel flowage, commercial rents, leases, tiedowns and so on in greater detail, he cannot see even voting on this.

Chairman Maxwell stated there is a motion on the floor.

Vice Chairman Tinnan made a motion to increase the transient landing fee 50 cents per 1,000 on everything 12,500 lbs and over and the Airport hourly rate from \$38.29 to \$42.27. Commissioner Mack seconded the motion. The motion was passed by a vote of 4-3, with chairman Maxwell, Vice chairman Tinnan, Commissioner Mack, and Commissioner Osborne voting aye, and Commissioner Vickers, Commissioner Madanick, and Commissioner Guilfooy voting nay.

Commissioner Mack said he would like to thank all the people who did attend tonight and hoped they could get some input to staff between now and August.

ADJOURNMENT

Commissioner Mack made a motion to adjourn. Commissioner Vickers seconded the motion and the meeting was adjourned at 7:15 p.m.

Respectfully submitted,

Diana M. Maggiola
Administrative Secretary.